



LEGISLATIVE UPDATE



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Senate Passes Amendment for Temporary Increase to Federal Medicaid Match Program

Senate Continues to Try to Reach Compromise on Prescription Drug Measure after Failing to Pass any of Three Competing Bills

House Passes LTC Tax Deduction/Caregiver Exemption

Yesterday afternoon the Senate passed an amendment that would provide an additional \$6 billion in Medicaid funds and \$3 billion for social service grants to states hit hardest by the economic downturn. The amendment, offered by Senators Rockefeller (D-WV), Collins (R-ME) and Nelson (D-NE) is attached to the Greater Access To Affordable Pharmaceuticals Act, S 812, currently being debated on the Senate floor. This bill is intended to speed low-cost generic drugs to the market.

The additional Medicaid funding will be used to provide a 1.35% increase in the Federal Medical Assistance Percentage (FMAP) to states over an eighteen-month period. States are eligible for the match increase only if they maintain the Medicaid eligibility standards that were in effect on January 1, 2002. The measure also includes a "hold harmless" provision for states that would experience a drop in their FMAP.

The additional \$3 billion for fiscal relief to the states would be administered through the existing Social Services Block Grant (SSBG). States use the flexible SSBG funds to provide a variety of social services including long-term care and adult protective services.

The Senate will continue debate on S 812 next week, with a final vote on the measure possible before the August recess. The House has yet to take up a measure that would increase states' FMAP.

Senate continues to work towards a bipartisan prescription drug measure

Earlier this week three competing plans to provide a prescription drug benefit under the Medicare program failed to receive the majority of votes necessary for passage in the Senate. Since then, members of both parties have been working together to craft a compromise measure that would garner enough support for passage. The House passed a bill last month that would provide prescription drug coverage for Medicare recipients through private insurers.

One measure that was defeated, S 2625, offered by Senate Democrats, would have provided a universal, government-run prescription drug benefit to Medicare recipients at an estimated

cost of \$594 billion from 2005 to 2012. A 'Tri-partisan' measure, offered by Senators Grassley (R-IA), Breaux (D-LA), and Jeffords (I-VT), estimated to cost \$370 billion over a 10-year period was also defeated. That bill offered Medicare beneficiaries three prescription drug benefit options. Beneficiaries could have chosen to receive the benefit under a newly enhanced package of benefits under traditional Medicare, to receive coverage under Medicare +Choice, or to receive a stand-alone Medicare benefit offered by private insurers.

The third measure voted down was sponsored by Senators Hagel (R-NE) and Ensign (R-NV). It offered catastrophic prescription drug coverage for all Medicare recipients and a sliding scale drug benefit to low-income individuals. **This measure, however, seems to be the most likely vehicle for a compromise, as current negotiations are leaning toward a measure that would provide prescription drug coverage only for low-income individuals and those with high prescription drug costs.**

The Senate is hoping to reach consensus and vote on a compromise measure before it begins Summer Recess on August 2.

House passes tax measure providing LTC insurance deduction and caregiver exemption

Yesterday, the House passed by a vote of 362-61, a bill (HR 4946) that would provide a tax deduction for middle-income people for the cost of their long-term care insurance premiums. The bill was offered by Representative Hayworth (R-AZ) and is estimated to cost \$5.3 billion in lost revenues over a 10-year period. Individuals earning \$20,000 to \$40,000 in adjusted gross income and couples earning \$40,000 to \$80,000 and filing tax returns jointly would be eligible for the deduction if they pay at least half of the plan premium. Currently, tax laws permit individuals to deduct the cost of insurance premiums, but with stricter requirements and only if the taxpayer itemizes deductions.

The measure also includes a provision that would permit a personal tax exemption of \$3,000 in 2002 for people who act as long-term caregivers for a family member.

The Senate has yet to act on a similar measure and its chance of passage in this chamber is uncertain.